

2

Strategic Goal 2:

Build Sustainable Democracies

I. Overview

As we end the bloodiest of centuries, we recognize that developing a community of democratic nations is a goal we must continue to pursue. This past decade has witnessed some of the most important events of our age: the end of the Cold War, for example, and the emergence of many countries making a transition to democratic governance. The opportunity for freedom has been accompanied by internal conflict in many places where civil wars have torn asunder weak states. Ravaged by war, refugees and internally displaced persons often characterize the end of hostilities and have created new challenges for the future of the promotion of democracy. The industrial world must now find solutions to the crisis of governance in an uncharted political environment.

The number of democratically elected governments continues to grow, but many of these nations have made incomplete democratic transitions. They demonstrate limited competition within their political systems, and they lack democratic institutions. USAID is responding to these and other challenges to achieve its goal of *sustainable democracies built*.

Looking back on a decade of investing in political development worldwide, we have built upon our successes in supporting free elections. We have developed a sophisticated program, working in four sectors, to advance democratic practices around the world. Our programming reflects our understanding that genuine democracy requires not only competitive political processes but also respect for citizens, for human rights, and the right of dissent. It requires a robust civil society, supported

by the rule of law and citizen security characterized by an independent judiciary. We also support the promotion of good governance, through our work in fostering transparent and accountable government, improved legislative processes, and genuine civilian control of the security sector.

Benefits to the American Public

USAID works to encourage democracy on the basis of liberty, personal and civic freedom, and government of, for, and by the people—ideals upon which our nation was founded. Although we are guided by our ideals in this endeavor, our commitment to democracy abroad is also strategic. Promoting democracy serves vital U.S. national interests, and expanding the community of democracies is a key objective of U.S. foreign policy.

Democratic governments are more likely to advocate and observe international laws and to experience the kind of long-term stability necessary for sustained development, economic growth, and international trade. In addition, the phenomenon of failed states is of profound concern to the United States. Lack of democratic institutions is a common factor among nations that have succumbed to crisis. Too often, these countries lack the institutional capacity necessary to avoid escalating violence.

The United States has a compelling national interest in preventing and averting crises before they occur. When potential crises erupt into genuine

emergencies, mobilizing the U.S. military and providing humanitarian assistance become complex and costly, and economic interests usually suffer. Successful transition and democratic development vastly improve a country's ability to manage division and conflict.

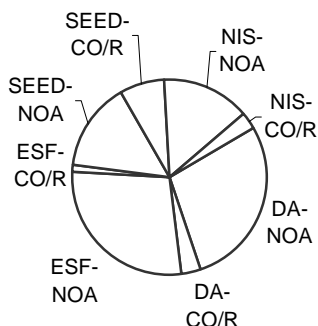
Figure 2.1. USAID-Managed Funds by Strategic Goal
Build Sustainable Democracies

| All Accounts | Fiscal Year 1998 | | Fiscal Year 1999 | |
|-------------------------------|------------------|------------------|------------------|------------------|
| | \$US millions | Percent of total | \$US millions | Percent of total |
| Development Assistance | 160 | 31 | 174 | 27 |
| New Obligation Authority | 142 | 28 | 148 | 23 |
| Carryover/recoveries | 18 | 3 | 25 | 4 |
| Economic Support Funds | 146 | 29 | 195 | 31 |
| New Obligation Authority | 141 | 28 | 165 | 26 |
| Carryover/recoveries | 5 | 1 | 30 | 5 |
| SEED | 113 | 22 | 121 | 19 |
| New Obligation Authority | 76 | 15 | 95 | 15 |
| Carryover/recoveries | 37 | 7 | 26 | 4 |
| NIS | 89 | 18 | 145 | 23 |
| New Obligation Authority | 75 | 15 | 118 | 19 |
| Carryover/recoveries | 14 | 3 | 28 | 4 |
| IDA | — | — | — | — |
| PL 480 | — | — | — | — |
| Total | 508 | — | 634 | — |

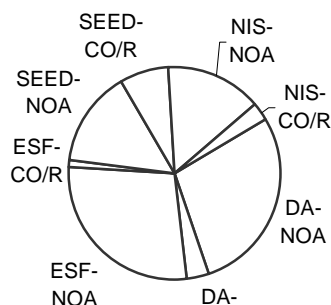
We are forging links between postconflict reconstruction, conflict prevention, and democracy and governance programming in countries emerging from war. Early efforts to create an enabling environment for state building and good governance are carried out by the Office of Transition Initiatives in the Bureau for Humanitarian Response. Consonant with the Agency's objective 6.3, to "reestablish security and basic institutions to meet critical needs and protect human rights," democracy building begins with early interventions such as demobilization of combatants, reconstruction efforts in partnership with nascent civil society, and activities to restore order while emphasizing protection of individual rights.

There has been a clear relationship between our early interventions in first-generation countries—those making the transition from conflict to peace and reconstruction—and our later interventions in those countries, as the early gains of political development are incorporated into the mainstream of the Agency's mission programming. USAID's recent work in countries in postconflict transition helps provide the foundation upon which to build democracy programs.

Fiscal Year 1998



Fiscal Year 1999



USAID promotes the goal of *sustainable democracies built* through approaches and programs that contribute to four broad Agency objectives: 2.1, rule of law and respect for human rights for women as well as men strengthened; 2.2, credible and competitive political processes encouraged; 2.3, development of civil society promoted; and 2.4, more transparent and accountable government institutions encouraged.

Involvement of Other Donors and U.S. Government Agencies

USAID coordinates its activities in supporting democracy abroad with a variety of partners—other agencies of the U.S. government, nongovernmental organizations (NGOs), and such multi-

lateral institutions as the United Nations, the Organization of American States, and the Organization of African Unity. We also work closely with our colleagues in the international financial community to ensure that adequate funding exists to sustain the initial programs and technical support we seek to ensure democratic opening and economic growth.

Table 2.1. Involvement of Other Donors and U.S. Government Agencies

| Major Donors | Rule of law and respect for human rights of women as well as men strengthened | Credible and competitive political process encouraged | The development of politically active civil society promoted | More transparent and accountable government institutions encouraged |
|---------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------|
| International Organizations and Bilateral Donors | | | | |
| ADB | | | | X |
| AUSAID | X | X | | |
| Canada | X | X | X | X |
| Denmark | | X | X | X |
| EBRD | | | | X |
| European Union | X | X | X | X |
| Germany | X | X | X | X |
| IDB | X | X | X | X |
| Irish AID | X | | | X |
| Japan | | X | | X |
| Netherlands | X | X | X | X |
| Norway | X | X | | |
| Sweden | | X | X | X |
| Switzerland | X | | | |
| United Kingdom | X | X | X | X |
| UNICEF | | | X | X |
| World Bank | X | | X | X |
| Private Foundations | | | | |
| Ford | X | | X | X |
| MacArthur | X | | X | |
| Mott | | | X | |
| OSI(Soros) | X | X | X | X |
| Pew | | | X | |
| Rockefeller | X | | X | |
| U.S. Agencies | | | | |
| Commerce | X | | | X |
| EPA | X | | | |
| Justice | X | | | X |
| State | X | X | X | X |
| Treasury | X | | | X |
| USAID | X | X | X | X |

II. USAID Strategies And Program Performance

The development of democracy does not follow a predictable or linear path. Yet, USAID has been able to capitalize on its own experience to respond quickly to democratic openings in such high-priority countries as **Indonesia**, where USAID supported the country's first free elections in 33 years, and **Nigeria**, where the Agency backed a new package of reforms through local nongovernmental organizations and trained over 10,000 newly elected leaders. The Agency realizes that flexibility of programming and timing of assistance can make the difference in countries where fragile institutions and weak civil society require support. In addition, the Agency's long-term strategies to support democracy are bearing fruit in many countries around the world.

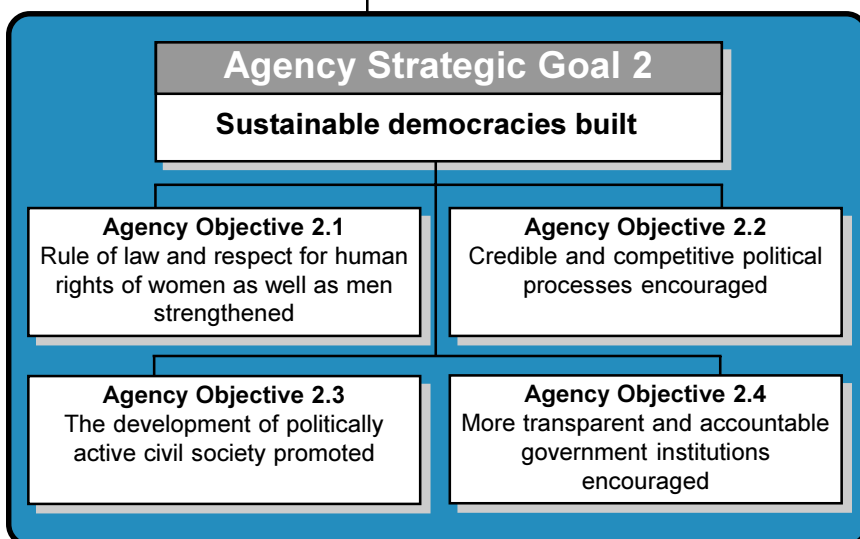
Overall, democratic development continues to gain momentum. An increasing number of nations continue to adopt democratic institutions ranging from free press to independent judiciaries. Recent years have seen representa-

tive government become a reality for millions more people around the world.

But democratization can also be reversed. The democratic development community, including USAID, is grappling with an emerging set of "second generation" issues related to the consolidation of democracy.¹ Some refer to these as the crisis of governance, but specifically, these challenges to democratic consolidation include (but are not limited to) weak institutions, manipulation of democratic processes by autocrats, the corrosive effects of corruption, and competition for scarce resources.

Such factors can lead to stalled democratic transitions, backsliding, and ethnic or civil strife. There is also a growing realization that programs in economic growth must be conceptualized in the light of democracy assistance efforts to ensure that the political liberalization underpins access to free markets.

More than any other programmatic activities, assistance with election mechanics and observation of election-day proceedings are "first generation" transitional issues in democracy support. In recent years, the level of elections-related funding has decreased as the Agency's implementing partners and USAID-assisted countries learn to do more with less. In contrast, governance and civil society issues have become increasingly important as many democracies move into the consolidation phase. In an array of country contexts, the lack of effective and accountable state institutions fundamentally limits the potential success of current democ-



ratization processes. Increasing the transparency and accountability of government institutions can address some of these second-generation issues. Likewise, promoting political parties organized around issues rather than personalities or religious and ethnic affiliation is a part of the Agency's move toward second-generation programming.

USAID's support for democratic governance helped promote both first- and second-generation advances toward democratization. The Agency implemented a wide range of democracy activities through 70 country and regional programs in fiscal year 1998. The Agency's Strategic Plan, adopted in 1997, identifies four strategic objectives in the democracy sector: 1) rule of law and respect for human rights strengthened, 2) credible and competitive political processes encouraged, 3) development of a politically active civil society promoted, and 4) transparent and accountable government institutions encouraged. The programs undertaken to meet these objectives reflect not only the significant opportunities to strengthen democratic processes but also recognition of the important synergies between democracy and good governance and several other Agency goals.

At the end of fiscal year 1999, an internal Agency review of the democracy and governance goal area identified several trends in each of those four Agency objectives:

- Advances in rule of law and human rights continue to be uneven in many regions. Much important work has been undertaken, but the sector remains challenged by the general dominance of the executive over other branches of government

and, in some cases, politicization of the judiciary. Although there is growing recognition that some degree of reform in this sector is a precondition for economic growth and political stability, many governments still take an à la carte approach to the rule of law, often accepting commercial law reform while impeding advances in civil and political rights.

- USAID is also facing an ever-increasing need, along with strengthening public defense systems, to pursue reform efforts dealing with criminal-justice issues such as effective detection, investigation, and prosecution of crimes and the pursuit of public officials involved in criminal activity. The Agency's expertise working on the demand side of rule of law through civil society (as well as providing assistance to justice sector institutions where there is will to reform) has proven effective in a number of difficult environments.
- Although the mechanics of elections have become increasingly routinized in much of the developing world and the former Soviet bloc, truly competitive elections with broad-based participation continue to elude many countries. This can be due to relatively benign causes, such as a lack of resources or experience, or it can result from willful manipulation by governments in power. USAID is supporting free elections and competitive political processes through 35 regional and country programs.
- Not even a legitimate electoral process guarantees that the elected leaders will govern democratically

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USAID has developed a handbook on fighting corruption that is being used throughout the international development community.

or effectively. Political parties often lack capacity to truly aggregate political interests in ways that stimulate electoral competition. Another persistent problem is the need to improve access to the political process by traditionally excluded groups, such as women. Continually diminishing development resources threaten mechanisms such as targeted training programs, campaign assistance, and establishment of legal requirements for gender integration.

- Support to civil society remained the largest area of USAID's democracy funding and programming in 1999. Fostering citizen participation cuts across several stages of political development. In fact, support to civil society and the media is both a means and an end toward achieving the overall sustainability of democracy and overall development. In earlier stages of democratization, USAID assistance to nongovernmental organizations often stresses strengthening their capacity to promote human rights protection or to demand political change. Early support to the media also addresses capacity building. In later stages, the emphasis shifts to institutionalizing civil society input in the policy process and across several development sectors as well as the free flow of information to the public at large.
- USAID strategies seek to ensure that government institutions have sufficient capacity to respond to increased demands as advocacy by civil society becomes more effective. The Agency works in well over half of its missions to promote decentralization or democratic local governance. These programs encourage central governments to allow local bodies more authority over community affairs. The programs also strengthen the capacity of local governing entities and build more responsive and participatory governance at the local level. USAID also strengthens the ability of national legislatures to respond to public concerns and serve as a balance to other branches of government. Finally, the Agency's program to implement policy change develops and applies democratic change management techniques that are often instrumental in adopting democracy.
- Developing nations and international agencies are increasingly recognizing corruption as a pervasive problem and an impediment to both democracy and economic growth. Anticorruption activities have moved from a more limited concentration on accounting, fiscal management, and law enforcement to attacking corruption as a critical development issue. USAID has developed a handbook on fighting corruption that is being used throughout the international development community. Decentralization of authority and economic liberalization are continuing trends that present a variety of challenges and make building a foundation for governmental accountability and integrity all the more urgent. As more governments publicly commit themselves to addressing this problem, USAID has supported their efforts. At the same time, the Agency works with nongovernmental organizations to increase civil society oversight of government institutions.

Analysis of fiscal year 1998 performance by the regional bureaus also identified some noteworthy trends.

Throughout Africa, democracy is taking root, albeit slowly. Democratic institutions are being established, and the ability of civil society organizations and political parties to express themselves openly has increased significantly. In 1998, **Nigeria** began a transition from 30 years of military rule to a democratically elected government. It was the highlight of a challenging year for democratic development in Africa. Despite setbacks in **Angola, the Democratic Republic of the Congo, Eritrea, Ethiopia, and Zimbabwe**, there has been observable progress in sub-Saharan countries such as **Guinea, Mali, and Mozambique**. In Mali, for example, USAID's support for civil society organizations has significantly increased the ability of those organizations to press effectively for public policies at the national and local levels as the country implements a nationwide decentralization program.

USAID spent most of its democracy and good governance resources in Africa on civil society and governance programs. The Agency succeeded in building the capacity of African NGOs in several countries. Parliamentary strengthening activities also showed noteworthy results. In **Ghana**, where USAID worked to strengthen district assemblies and enhance their collaboration with civil society, the parliament began inviting civil society organizations to observe committee hearings. In **Senegal**, the Agency supported a pilot mobilization and education program, sponsored by a women's organization, on female genital cutting. (The procedure is traditionally practiced on girls aged 2 to 11.) Catching the national

spotlight, the women received praise for their efforts from the Senegalese president. In February 1998, parliament passed a law prohibiting the practice.

Overall performance was strongest in USAID programs in **West Africa**, followed by **southern Africa**, and then **East Africa**. West Africa's success in democracy and governance programming is mostly at the local level, where activities centered on decentralization and civil society. Nigeria is an exception, showing progress at both the local and national levels. More important, other development sectors are recognizing that open political environments are essential for long-term sustainable development. Consequently, coordination between sector programs is increasing throughout Africa.

One of the greatest challenges for missions remains how to adjust to the fluid political environments in which USAID operates. Conflict continued to affect the progress of democracy programs. The year 1998 was particularly challenging, as the regional involvement in the conflict in the **Democratic Republic of the Congo**, the resumption of hostilities in **Angola** and **Sierra Leone**, and the conflict between **Eritrea** and **Ethiopia** all had spillover effects on African democracy programming. In some cases, these rapid and difficult changes in the political context have resulted in poor performance of USAID's programs, such as those in Eritrea and **Liberia**. In others, the flexibility built into the enabling authority for transition programs allowed USAID to take advantage of opportunities as they emerged, such as the first-ever local elections in **Rwanda**.

Corruption is another particularly disquieting issue that drains a state's

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resources and lowers government legitimacy in citizens' eyes. Although many democracy and economic growth programs are beginning to address it, corruption remains a serious impediment to democratic consolidation in **Africa**. That continent has lagged behind some other USAID regions in addressing corruption, but there has been a sea change in African leaders' willingness to discuss the topic seriously. As a result, the Agency, working with the Global Coalition for Africa, has made significant progress toward an African anti-corruption convention. This momentum comes at a time when USAID's knowledge of corruption in the region and means of addressing it are increasing.

In several countries in **Asia and the Near East**, pressure for change is growing. This trend comes from below, either through grass-roots organizations or at the initiative of reform-minded local governments. Shortness of resources for building democracy in ANE during fiscal year 1998 made a sustained effort untenable in several countries of the region. Shortfalls in democracy and good governance funding are especially acute in **South Asia**, where potential exists and the needs are great.

Most democracy programs in Asia and the Near East channel resources to local NGOs to strengthen their analytic and outreach capacities. In **Cambodia**, USAID-supported coalitions of human rights and legal aid NGOs have attained the advocacy and outreach skills necessary to speak out against human rights abuses. The greatest obstacle to democracy in Asian and Near Eastern country programs is lack of the political will to engage in meaningful democratic reform. Without exception, support from the top is essential for the reform

of national institutions such as parliaments, judiciaries, and government ministries.

Given the heterogeneous nature of political development in Asia and the Near East, it is not surprising that the commitment to democracy varies widely. Although some countries in East and South Asia remain authoritarian, the elections in **Indonesia** make clear the potential for impressive advances in political development.

In both Indonesia and **the Philippines**, the Asian financial crisis has forced formerly taboo subjects, such as corruption and commercial law reform, into open public debate, creating opportunities to enhance the linkages between economic growth and democracy activities. For example, in the Philippines, USAID sponsored community-based workshops that contributed to the government's decision to privatize poorly managed electric and water utilities. In South Asia, to provide a counterweight to authoritarian rule, the limited democracy programs emphasize the rule of law and enhanced participation among disenfranchised groups.

With sustained USAID assistance, many civil society organizations have become effective advocates for policy and institutional reform. In **Bangladesh**, USAID-assisted NGOs have helped resolve a variety of community-level disputes, strengthening citizens' relations with local government.

In the **Middle East** and **North Africa**, autocratic monarchies, theocracies, and military-backed governments predominate. Performance of democracy programs has been uneven, often hampered by a lack of political will from host governments. A new govern-

ment in **Lebanon**, however, elected on an anticorruption and good governance platform, has created opportunities for USAID to provide support for municipal level programming in those areas. Openings exist in **Morocco** and **Yemen** for political reform. In Morocco, USAID encouraged broadened public participation for environmental action and sees encouraging signs of opening to greater democracy. In the **West Bank–Gaza**, USAID-supported nongovernmental organizations have successfully championed a law to govern NGO operations, thus ensuring a more open environment for the debate of public policy issues. The law is widely considered the most progressive of its kind in the Middle East.

In **Europe and Eurasia**, assistance programs are now placing a much greater emphasis than in the past on interrelated legal and institutional reforms such as political processes, leadership capacity, rule of law, and government transparency and accountability at both national and local levels. This work is reinforced by helping to build civil society that includes public advocacy institutions such as public policy-oriented NGOs, think tanks, training institutions, “good government” associations, professional societies, consulting groups, and universities.

Corruption permeates most Eurasian economies and is a major impediment to foreign investment and the development and growth of the private sector. Moreover, the combination of corruption and the social costs of transition has eroded both political leadership and public support for reform. The model for democratic market reform, as understood by the people, has been discredited. To counter this trend, most elements of USAID country programs

support openness, transparency, deregulation, and discipline in indigenous institutions. Country programs such as those in the **Caucasus** adopt direct strategies to combat corruption and work through the media to educate the public and officials alike on its corrosive effects.

When political will for promoting policy change is lacking, USAID reaches out to a broader constituency and works at the grass-roots level to build an understanding of and demand for reform. That is the case, for example, in **Azerbaijan**, where USAID-funded programs support nongovernmental organizations with grants of less than \$5,000. An environmental NGO provided environmental lessons to children in Sumgait, one of Azerbaijan’s most polluted cities. Another grantee educated pregnant women about environmental hazards in the city of Ganja.

The authoritarian tendencies of many of the governments of the **former Soviet Union** need to be balanced with increased citizen advocacy, insistence on government accountability, and stronger institutions at the regional and local levels. Meanwhile, collaborative activities that enlist the private sector, local governments, and civil society organizations (including NGOs) can achieve significant results in solving the most pressing problems affecting people’s lives. Creating a web of such partnerships has the effect of building a broad base of citizen participation in setting policy, identifying priorities, and improving the delivery of needed services.

In **Ukraine**, assistance from USAID at the local level not only has visible impact on people’s lives but also improves public perceptions of and experience with democracy and eco-

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economic reforms. Evidence is growing that local governments with the capacity to exercise well-informed choices, in partnership with citizens, can solve problems, identify and maximize opportunities, narrow the gap between resources and responsibilities, and engage and influence the central government on policy issues. In both **Ukraine** and **Central Asia**, NGOs are using corporate challenge grants—dollar-for-dollar matches of donations from businesses—to form sustainable partnerships that serve their communities. In **Georgia**, independent mass media and NGOs supported by USAID successfully represent their constituencies, shape public opinion, and affect government policies.

Throughout **central and eastern Europe**, USAID has created a network of advocacy-oriented NGOs in democracy building, economic development, environment, and social-safety-net strengthening. Advocacy skills were strengthened in 1998 through training, technical assistance, and small-grants programs. USAID has engendered regional collaboration among reform-oriented NGOs and helped develop a legal basis for forming and operating NGOs throughout the region. In **Bosnia**, local media and other USAID-supported civil society organizations are effectively promoting positive political change.

In central Europe, where USAID has concentrated on post-presence issues, the development of democracy in the **Czech Republic, Hungary, Poland**, and **Slovakia** continues. While substantial progress has been made on civil liberties and political freedoms, democracy building in the northern tier is incomplete. To preserve the gains made in the NGO sector and in building civil

societies, post-presence funding and regional relationships must take hold. In Poland an indigenous support organization has been established to promote the long-term sustainability of the NGOs after USAID graduation.

In the **Baltic states**, USAID and the Open Society Institute have formed the Baltic–American Partnership Fund, a \$15 million foundation that supports NGO training and development. The fund was set up to continue strengthening civil society in a cost-effective way following USAID’s closeout in the region.

Progress in democratization in such Balkan nations as **Albania, Bulgaria, Bosnia, Croatia, Macedonia**, and **Romania**—while evident—continues to lag behind the northern-tier European countries, particularly in local governance, public administration, rule of law, and independent media. With USAID assistance, reform-minded governments are beginning to address these areas of democracy building. For example, USAID-financed anticorruption programs work closely with the governments of Bulgaria and Romania to strengthen the rule of law and support local government administrative and financial systems. With USAID assistance, Romania made exceptional progress this past year in adopting a local public finance law and is moving toward providing greater financial autonomy to local governments. In Albania, lack of a USAID presence (owing to security concerns) has probably contributed to the failure thus far to create the legal framework necessary to empower the current regime to govern. Even so, the Albanian citizenry approved a constitution that may gradually remove doubts about a government and judiciary that traditionally have been corrupt.

Substantial progress has been made in advancing democracy in **Latin America and the Caribbean**.

Transparent electoral processes are becoming the norm. Civilian governance has expanded. In many countries, this has been accompanied by a movement toward more professionalism in the armed forces. However, peacemaking and national reconciliation are still in process in several countries. Manipulation of constitutional provisions remains a problem in others. In LAC, human rights violations, while declining over the long term, reveal the distance many countries still must go to achieve judicial independence and justice reform. Although LAC countries have made progress in decentralizing services to the local level, hurdles remain before decision-making and resources can truly devolve to municipalities.

Democracy programs in the region closely track the U.S. foreign policy agenda, expressed in the 1994 Summit of the Americas process. The Summit Action Plan provides a framework for regional efforts to strengthen democratic principles and institutions; to develop common strategies in consolidating democracy and expanding commerce; to develop mechanisms that ensure the benefits of democracy and economic reform; and to integrate and reinforce existing hemispheric institutions.

Across Latin America and the Caribbean, a significant transformation of the justice system is under way in the form of increased use of oral adversarial trials. USAID's programs have helped create the changes needed to make this new system operational. They have been complemented by Agency efforts to help restore trust in justice and respect for human rights. We have made substantial inroads throughout the region:

- With USAID support, **Bolivia**, the **Dominican Republic**, and **El Salvador** have adopted new codes of criminal procedure, providing the basis for improved administration of justice, reductions in pretrial detention, and increased protection for individual constitutional rights. **Honduras** is poised to pass a similar code. In **Guyana**, USAID support to the justice sector resulted in a consolidated code and the creation of a computerized legal database.
- In **Peru**, legal clinics and reconciliation centers provided free services to the poor in more than 31,000 cases, 60 percent of them related to domestic violence or child-support cases brought by women.
- In the **Dominican Republic**, a USAID-funded automated criminal case-tracking system reduced time to trial by 50 percent. USAID also funded a public defender organization and provided assistance in drafting legislation for a public defender system.
- Judicial access is expanding in **Nicaragua** with the 1998 passage of legislation that created a public defender's office.
- The creation of national judicial councils in **Argentina, Bolivia, Chile, Costa Rica**, the **Dominican Republic, Ecuador, El Salvador, Mexico, Peru**, and **Uruguay** has furthered judicial careers, established continuing legal education programs, and helped ensure the judiciary's independence.

While gains in the rule of law have been impressive, the strengthening of local

Programs to promote transparency and accountability exist throughout the LAC region.

government is the fastest growing part of the LAC Bureau's portfolio. Eleven LAC Bureau missions now use local government improvement programs to advance good-governance objectives, such as increasing citizen participation and addressing transparency-accountability concerns. During fiscal year 1999, as part of a national peace plan, USAID/**Guatemala** launched an initiative to strengthen small and medium-size local governments in low-income regions of the country.

LAC regional activity has strengthened regional networking capacity among national associations of municipalities. It has improved the quality of in-service training provided by donors and improved information exchange on donor programs. As a result, in FY99, the bureau led a consensus of major donors in creating the International Forum for Cooperation on Local Government in Latin America and the Caribbean. The forum has begun operating with a USAID-financed technical secretariat.

Programs to promote transparency and accountability exist throughout the

region. They represent a variety of approaches, including fraud investigation courses for government officials, improved public sector management, and support for civil society watchdog groups. To catalyze mission programs, LAC has created a donor coordination mechanism and has initiated use of standard financial management systems in several countries. With the Agency's help, accountability measures have been put at the forefront of the multi-donor reconstruction effort in Central America following Hurricane Mitch.

USAID programs worked to strengthen civil society in 12 countries in the region, with particular emphasis on building partnerships with local government, creating alliances and coalitions among civil society organizations, and championing reforms. Other programs increased participation from traditionally excluded groups such as women and indigenous populations. The regionally supported Inter-American Democracy Network was expanded to link and transmit new methodologies for citizen participation to more than a hundred Latin American NGOs.

III. Agency Objectives By Operating Unit and Region

Table 2.2 shows the distribution of USAID field-based democracy and good governance programs by region and objective. As in past years, civil society was the Agency's largest activity, undertaken by 64 field-based programs. All countries with USAID-supported democracy activities in **Africa** and **Europe and Eurasia** engage civil

society, making it the predominant program emphasis in the region. The largest area of programming in both **Latin America and the Caribbean** and in **Asia and the Near East** was promotion of the rule of law and human rights, with all operating units in the LAC region having rule-of-law and human-rights programs.

Table 2.2. Agency Objectives by Operating Unit and Region

| | Africa | ANE | E&E | LAC | Total |
|------------------------------------------------------------|---------------|------------|----------------|------------|--------------|
| Total field-based operating units | 29 | 16 | 25 | 17 | 87 |
| Total with democracy and good governance objectives | 23 | 11 | 21 | 15 | 70 |
| Rule of law/human rights | 12 | 9 | 11 | 15 | 47 |
| Political processes | 9 | 4 | 14 | 7 | 34 |
| Civil society | 23 | 8 | 21 | 12 | 64 |
| Government institutions | 20 | 7 | 15 | 12 | 54 |

Note: This table shows field-based operating units with strategic objectives in support of the democracy and good governance goal and Agency objectives. Operating units may have more than one democracy and good governance strategic objective. In addition, some of the operating units' strategic objectives support more than one Agency goal or objective. See annex B for details on distribution of programs in field-based operating units.

IV. Performance by Fiscal Year 1999

Annual Performance Plan

Fiscal Year 1999 Agency Democracy and Good Governance Performance Goal

The fiscal year 1999 Annual Performance Plan contains one performance goal to assess overall progress in the strengthening of democracy and good governance: level of freedom and participation improved according to Freedom House global indices of freedom, civil liberties, and political rights.

In the FY99 APP, USAID committed to measuring trends in democracy and good governance through the Freedom House classification of countries as “free,” “partly free,” or “not free.”

Freedom House has been rating the level of freedom in countries worldwide since 1973. To determine its rating, Freedom House brings together prominent academics and development specialists to assess the level of political rights and civil liberties in each country. Scores are given for each of these categories on a scale of 1 to 7, with 1 representing the most free and 7 the least so. Freedom House then combines the civil liberties and political rights score to rate countries “free,” “partly free,” or “not free.”

Strengthened democracy and good governance, as measured by an increasing number of countries classified as “free” by the Freedom House Index, represents the ideal toward which USAID strives. Changes in the overall

Many donors have recently become active in fields of democracy assistance that the Agency pioneered. They rely on USAID experience to devise their own programs and approaches.

level of a country's freedom are high-level development goals. USAID recognizes that it cannot achieve these goals on its own. The Agency is a single actor (often a minor one) working alongside other national development agencies, multilateral agencies such as the United Nations and the World Bank, and (most important) the developing countries themselves.

The Freedom House survey therefore provides a useful overview of the state of democracy worldwide but is far less useful for measuring the Agency's impact on either a country or regional

level. Thus, we do not rely on the Freedom House measures to make programming decisions.

In many cases, USAID's democracy and good governance programs are restricted to smaller geographic areas or provide specific assistance such as NGO capacity building or legislative drafting. But progress in these more restricted areas indirectly contributes to changes at the national level. Equally important, changes in country context (as reflected by Freedom House) influence USAID programming priorities and directions.

PERFORMANCE GOAL 1: LEVEL OF FREEDOM AND PARTICIPATION IMPROVED

Performance Analysis

In addition to success on the regional and country level, USAID has been a leader in promoting democracy and good governance for several years. As the Agency sharpens its skills in this new field, a wide variety of donors, implementing partners, and recipient countries are recognizing USAID's cutting-edge programming in this arena. Despite relatively low Agency resource levels for democracy promotion, USAID's leadership and value added are especially evident in three areas:

Technical and intellectual leadership. Other U.S. government agencies and international donors turn to USAID and its implementing partners for their expertise on best practices and lessons learned in democracy assistance. Many donors have recently become active in fields of democracy assistance that the Agency pioneered. They rely on USAID experience to devise their own programs and approaches.

Moral leadership. U.S. assistance in democracy is vital to providing leverage with other donors in this sector. A small contribution by the United States frequently sends a signal to others that the work is an essential element of political openings. As part of the U.S. commitment to help people participate in their own governance, USAID serves as an energetic and effective advocate for sustainable democratic change through consultations with various interested groups. They include the Organization for Economic Cooperation and Development, international financial institutions, multilateral and bilateral donors, and the private sector. Secretary of State Madeleine Albright's Community of Democracies initiative, implemented in large part through USAID, is an example of the Agency's leadership at work.

Civil society. USAID has worked with more organizations than perhaps any other donor in promoting democracy.

The experience of the Agency and of American civil society itself in supporting programs that strengthen civil society abroad are twin assets that give the United States a comparative advantage among donor nations.

To fully appreciate USAID's cutting-edge role, one must also look to the discussion in chapter 6, "Provide Humanitarian Assistance" (Agency strategic objective 6.3). That chapter describes the pioneering work of the Office for Transition Initiatives. USAID's work in democracy and in stabilizing conflict-prone societies knows neither time nor functional bounds. The Agency's postconflict reconstruction

work lays the foundation of good governance and economic growth.

USAID's fiscal year 1999 Annual Performance Plan set targets for improvements in Freedom House country rankings that called for a net increase during 1996–99 in the rankings by one country each in **Africa**, the **Near East** and **South** and **East Asia**, and **Europe and Eurasia**. No change was expected in **Latin America and the Caribbean**. These targets were exceeded, with 11 rather than 3 countries showing an overall improvement in their Freedom House rating. The performance goal targets were exceeded for all regions (see table 2.3).

Performance Table From Fiscal Year 1999 Annual Performance Plan

Table 2.3. Performance Goal 1: Level of Freedom and Participation Improved

Indicator: Freedom House ratings (free/partly free/not free).

Sources: Freedom House, *Freedom in the World*; various editions; and USAID calculations.

| | | APP Baseline(1) 1996 | Latest Actual (2) 1998 | Target (3) 1998 |
|---------------------------|---------|-------------------------|---------------------------|--------------------|
| Agency Level | planned | | | +3 |
| | actual | 18/40/22 | 25/37/18 | +11 |
| sub-Saharan Africa | planned | | | +1 |
| | actual | 5/10/9 | 5/12/7 | +2 |
| Asia–Near East | planned | | | +1 |
| | actual | 3/6/7 | 4/6/6 | +2 |
| Europe–Eurasia | planned | | | +1 |
| | actual | 6/12/6 | 7/12/5 | +2 |
| Latin America – Caribbean | planned | | | 0 |
| | actual | 4/12/0 | 9/7/0 | +5 |

Note: Data for this performance goal, as stated in the FY99 APP, are expressed as the number of countries classified as free, partly free, and not free by Freedom House's annual survey of democracy.

1. The revised baseline represents the number of countries free/partly free/and not free for 1996 as expressed in *Freedom in the World*, 1996–97. The 1996 baseline was recalculated for all USAID-assisted countries on the basis of the revised USAID-assisted country list.

2. The actuals represent country status for 1998, as expressed in *Freedom in the World*, 1998–99.

3. The 1998 benchmark represents the postive change in countries. All regions had positive trends, where countries moved from partly free to free or not free to partly free. The planned net change is from the FY99 APP. The actual is the actual net change during 1996–98.

Impressive gains were made in the **Dominican Republic, Ecuador, El Salvador, Honduras, India, Nicaragua, and Slovakia**, where the overall rating improved from “partly free” in 1997 to receive a Freedom House rating of “free” in 1998.

In the **Dominican Republic**, USAID has supported the efforts of a democratically elected government to strengthen the administration of justice through a reform program directed at the Supreme Court. The court now has a public approval rating of 85 percent—perhaps the highest in Latin America.

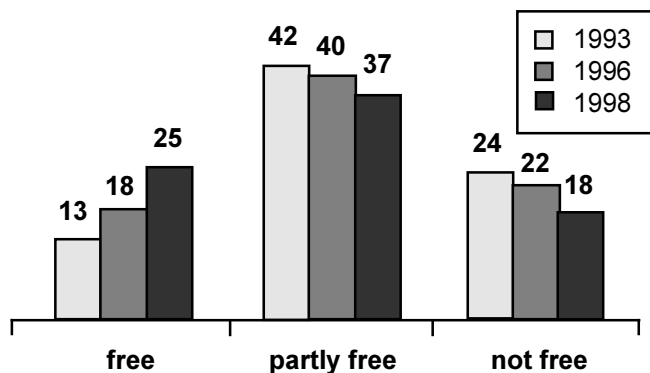
Even with impressive gains on the Freedom House scale, recent events in **Ecuador** demonstrate how fragile democracy remains in countries with weak institutional frameworks for sustaining positive change. A military coup, supported by indigenous leaders, ousted President Jamil Mahuad Witt. In a series of rapid events that ultimately restored the democratic process, his vice

president was installed as the new leader. In part, the rapid restoration of order and a legitimate succession process can be attributed to an important consensus that exists in Latin America about the primacy of democracy. Its dissolution is a situation that the community of nations in the region will no longer tolerate. That said, the Agency’s work in creating strategic alliances between NGOs and the public sector and the work to support legislative reforms can be credited with undergirding democratic values. The new Ecuadorian constitution, invoked after the coup, included an array of substantive areas that were formulated through USAID-supported advocacy efforts.

With greater internal stability, fewer instances of intercommunal violence, and the peaceful democratic transfer of power to an opposition-led government, **India** regained status as a free country. USAID’s primary democracy concern in India is to expand service networks for women. The Agency’s programs seek to increase women’s decision-making power by supporting indigenous organizations in the areas of microfinance for women, girls’ school participation, and combating violence against women.

In **Nicaragua**, relations between civilian authorities and the military contributed to the strengthening of democratic stability. Additionally, problems of indigenous peoples on the country’s Atlantic coast received greater attention from the national authorities. USAID supports Nicaragua’s post-Mitch objective to safeguard good governance and its guarantee that civil society will participate in reconstruction programs. Before the disaster struck, three advances had been realized: 1) Nicaragua had held free and fair

Figure 2.2. Number of USAID-Assisted Countries Free, Partly Free, and Not Free In 1993, 1996, and 1998



Source: Freedom House

elections on the Atlantic coast, 2) human rights violations had declined, and 3) civil society had become increasingly active in the political arena.

A reformist-dominated government came to power in **Slovakia** through free and fair elections.² USAID provided substantial support for these elections, a turning point in Slovakia's history as an independent state. A critical factor in Slovakia's return to democratic political reform was "OK '98," a successful nonpartisan civic education effort conducted with USAID support by a group of initially 11 Slovak NGOS. USAID training of organizers and participants included financial and project management, coalition building, media relations, and advocacy skills. The civic campaign grew into a network of more than 50 NGOs across all sectors of civil society throughout Slovakia.

Four countries with USAID democracy assistance progressed from "not free" to "partly free." The downfall of the Suharto regime in **Indonesia** in May 1998 led to the reemergence of political parties and civic groups and the promise of free elections. Some political controls have been loosened, the media have become more outspoken, and political parties and movements have begun to gain strength. USAID has stepped up its efforts to strengthen the democratic transition already under way. Assistance has aimed at improving conditions for elections, strengthening the media, educating voters, and conducting activities to create public dialog.

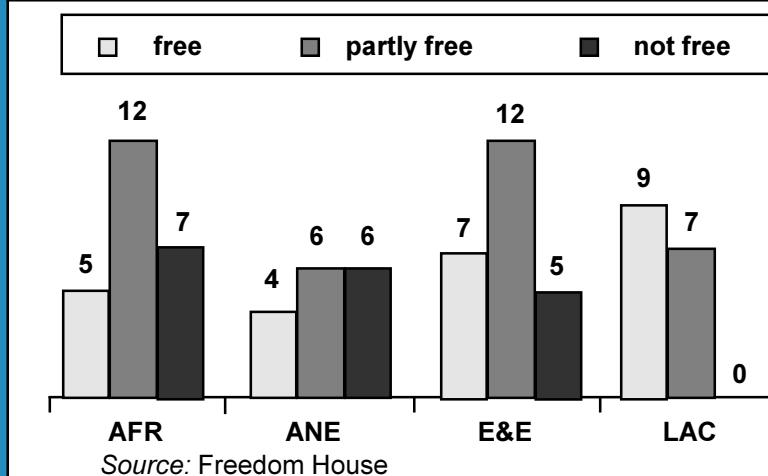
In **Nigeria**, the June 1998 death of military dictator Sani Abacha has since led to multiparty elections and expanded public debate. It has brought about a resurgence of political parties,

the return of exiled leaders, and an increasingly open press.³ USAID has supported the training of newly elected officials and is expanding country programs to include support for political parties and the legislature.

Two other countries, Azerbaijan and Liberia, improved to "partly free." During 1997, **Azerbaijan** increased its efforts to negotiate a settlement to the Nagorno-Karabakh enclave and expanded the civil sector, though the 1998 reelection of President Haidar Aliyev was considered "unfair." In **Liberia**, "free and fair" elections in 1997 ended years of civil war. While Liberia was still considered partly free in 1998, renewed fighting and antidemocratic actions by President Charles Taylor have brought concern about prospects for long-term democracy in that country.

In addition to changes in their overall rankings, many USAID countries received higher individual ratings for civil liberties and political rights, sub-

Figure 2.3. Freedom House Classifications, 1998, for USAID-Assisted Countries



parts of the overall Freedom House rating. A total of 11 USAID-assisted countries registered perceptible improvement on the civil liberties scale of 1 to 7. Most notably, the **Dominican Republic** and **Jamaica** progressed from a score of 3 to 2, and the **Slovak Republic** jumped from 4 to 2. Three countries' rankings fell from 1997 to 1998, all from a score of 4 to 5: **Albania**, **Jordan**, and **Kyrgyzstan**.

Countries with improvements in their political rights ratings include **Cambodia**, **Indonesia**, and **Nigeria**, each of which moved from scores of 7 to 6. **Armenia** progressed from 5 to 4, **Colombia** and **Macedonia** from 4 to 3, and the **Dominican Republic**, **Ecuador**, and **Moldova** from 3 to 2. Two countries in Europe and Eurasia ended the year with poorer ratings: **Kyrgyzstan** slipped from 4 to 5, and **Russia** fell from 3 to 4.

In all four regions, the Freedom House target set in the FY99 Agency Performance Plan was exceeded. Few countries experience a change in their overall ranking each year. USAID projections were based on the assumption that countries gradually change their ratings. During 1998, there were sudden transitions where windows of opportunity appeared, as was the case in **Nigeria** with the death of Abacha or the resignation of President Suharto in **Indonesia**. But such political openings are difficult to foresee.

The Agency is requesting an increase in funding for the democracy and governance sector to meet previously projected needs as well as to accelerate democratization in countries undergoing an unexpected positive transition.

Achievement Beyond Fiscal Year 1999 Plan Levels

See foregoing section, "Performance Analysis."

Planned Actions to Achieve Unmet Fiscal Year 1999 Plan Levels

All levels were met or exceeded.

Revisions to the Fiscal Year 2000 Annual Performance Plan

In the fiscal year 2000 Annual Performance Plan, USAID added two performance goals drawn from the civil liberties and political rights ratings by Freedom House, which are subparts of the overall Freedom House ratings.

Adjustments to Be Included In the Fiscal Year 2001 Annual Performance Plan

Measuring democracy is not a science. We acknowledge that attempting to gauge democratization quantitatively fails to provide the information we need to measure success, to adjust programmatic approaches, and to effectively communicate results.

The Agency has grappled with this problem for almost a decade. For example, in 1992, in a report prepared for USAID by the National Research Council on assessing democracy, the Academy of Sciences noted that "only some of the changes that democratization programs could foster, such as increased voter turnout or reductions in the level of human rights abuses, can be readily quantified."

Over the past year, our experience has shown that it has not been instructive to compile and analyze quantitative democracy program performance measurement data from the missions on a global or regional basis. Drawing from the most recent research and analysis on democracy programming, it is clear that in order to understand the effect of the hundreds of different programs in all four sectors of USAID's democracy program, we must develop better qualitative analytical tools to support our work, and link it to broader foreign policy goals. In his recent work about democracy assistance, *Aiding Democracy Abroad*,⁴ Thomas Carothers, of the Carnegie Endowment for International Peace, writes:

If evaluation of democracy programs is to improve, aid providers must give up the notion that the effects of democracy aid can be measured with calculators. They must accept that in-depth qualitative analysis is the only way to gain an understanding of political events and effects, and that many of the most important results of democracy programs are psychological, moral, subjective, indirect, and time delayed.

USAID is now considering ways to provide more qualitative assessments to its current "managing for results" framework. If we are to measure what we have done as an agency, then we will need to incorporate other forms of performance measurement to provide a true picture of results.

We still believe that Freedom House indicators for broad country and regional trends give us a general year-to-year look at the state of democracy

around the world. But such generalizations miss the nuances of democratic programming in the context of each USAID mission. While we continue to view trends on the Freedom House model because of its consistent methodology, we will not rely on its conclusions except to identify places where major events (such as greater democratic openings or closures) merit additional review.

But USAID cannot rely on these indicators as accurate measures of our own performance at the program level. Thus, we must consider the broad trends independently from our specific programs. We will need to advance our understanding of how our programs affect core political processes, not merely measure the number of laws that are passed or the number of people affected by USAID programs.

We will improve our methods of evaluation, including the use of more frequent polling, focus group analysis, and participatory research in the field. The revised methodology will also be supported by the policy research agenda of the Bureau for Policy and Program Coordination. That agenda includes work on such crosscutting issues as civil society and the role good governance plays in preventing deadly conflict. Such an approach will facilitate greater customer input to the process, since it takes into account not only customers' perceptions of a program's effectiveness but also their recommendations for improvement or change in direction.

Specifically, we plan to show our program impact through case studies, with examples from each region. In these studies we will explore whether USAID's programming in democracy is consistent with our technical leadership

We still believe that Freedom House indicators for broad country and regional trends give us a general year-to-year look at the state of democracy around the world. But such generalizations miss the nuances of democratic programming in the context of each USAID mission.

in the field. We will seek to determine whether our resources can leverage other donors to provide similar funding in support of democracy and governance. We will also seek out examples of how our work with civil society might strengthen linkages between economic and democratic development. We will use recent policy analysis on democracy along with lessons learned and the best practices we understand to exist in the field.

Our challenge in the next year is to measure and express our results more comprehensively and qualitatively. Our approach must be one that can satisfy our need to measure our effectiveness in both the short and medium term while also providing informed judgment as to how best to invest our efforts in support of U.S. foreign policy.

Notes

¹It is useful to think of democratization and good governance in terms of generations. First-generation *democratization* efforts take place in countries making a transition from war to peace or from an authoritarian government to a more open system. Second-generation *governance* activities take place where the basic components of democracy—elections, representation, civil society, and a functioning legal system—are more advanced. A continuing shift in resource allocations in fiscal year 1998—a proportionate increase in governance activities and a decline in election-related activities—reflects 1) a shift away from first-generation democracy issues toward second-generation consolidation and structural issues and 2) increasingly sophisticated activity programming.

²Adrian Karatnycky, “The Decline of Illiberal Democracy,” *Journal of Democracy*, 10:1, January 1999, p. 113.

³Ibid.

⁴Thomas Carothers. 1999. *Aiding Democracy Abroad*. Washington: Carnegie Endowment for International Peace.